



Working for Families Evaluation



You Earn How Much! An Investigation
of Self-Reported Income Versus
Administrative Income Data

Working for Families Package

Designed to make it easier to work and raise a family in New Zealand

Greater **financial support** is available for:

- almost all families with children, earning under \$70,000 a year
 - many families with children, earning up to \$100,000 a year, and for some larger families earning more
- \$1.6 billion extra per year to around 370,000 families when fully implemented

Delivered by Work and Income (MSD) and Inland Revenue, implemented over 5 years

Objectives of WFF

Making work pay

Ensuring income adequacy

Achieving a social assistance system
that supports people into work

Working for Families Components

Accommodation Supplement: Available to those living in their own homes to pay mortgage or those renting from private landlords (singles and couples with and without children)

Childcare Assistance: Subsidy paid to approved carers for care for pre-school children or before, after and school holiday care for older children

Family Tax Credits: Income support (tax credits) for families with dependent children (beneficiary or working)

In Work Payment: Additional income support for those working more than 'half' time

WFF Context

- NZ Revenue Total \$48.6 billion 2007
- WFF Tax Credit \$2.3 billion 2007
- Accommodation Supplement \$0.9 billion
- Childcare Assistance \$ 0.1billion
- WFF package – extra \$1.6 billion per year
- Families in NZ ~ 500,000
- WFF to around 370,000 families

Annual Income Limits WFF Tax credit

Number of Children	Annual Income		
	For family tax credit	For in-work tax credit	For parental tax credit
1 child	\$56,320	\$71,920	\$111,027
2 children	\$71,140	\$86,740	\$125,847
3 children	\$85,960	\$101,560	\$140,667
4 children	\$100,780	\$120,280	\$159,387
5 children	\$115,600	\$139,000	\$178,107
6 children	\$130,420	\$157,720	\$196,827

Families earning up to \$22,119 a year (before tax) may be eligible for minimum family tax credit

WFF Tax credit amounts

Fortnightly (2008)

Income	Number of Children			
	One		Three	
	FTC	IWTC	FTC	IWTC
Up to \$35,000	\$164	\$120	\$392	\$120
\$50,000	\$48	\$120	\$275	\$120
\$60,000	-	\$87	\$195	\$120
\$80,000	-	-	\$45	\$120
\$90,000	-	-	-	\$85

The Evaluation

- Monitoring (uptake)
- Entitlement – are people receiving what they are entitled to
- Income adequacy – poverty, living standards
- Labour market participation
- Excluded - Flow on effects ...such as improved health, falling prison incarceration rates

How will we study the effects of WFF?

Linked MSD and IRD Administrative Data "Research Dataset"

All WFF families – around 370,000 per year, 1 million people in 4 years

Longitudinal survey effects and receipt

2006	5,556
2007	3,841

Awareness and uptake surveys

2005	600
2006	1,000

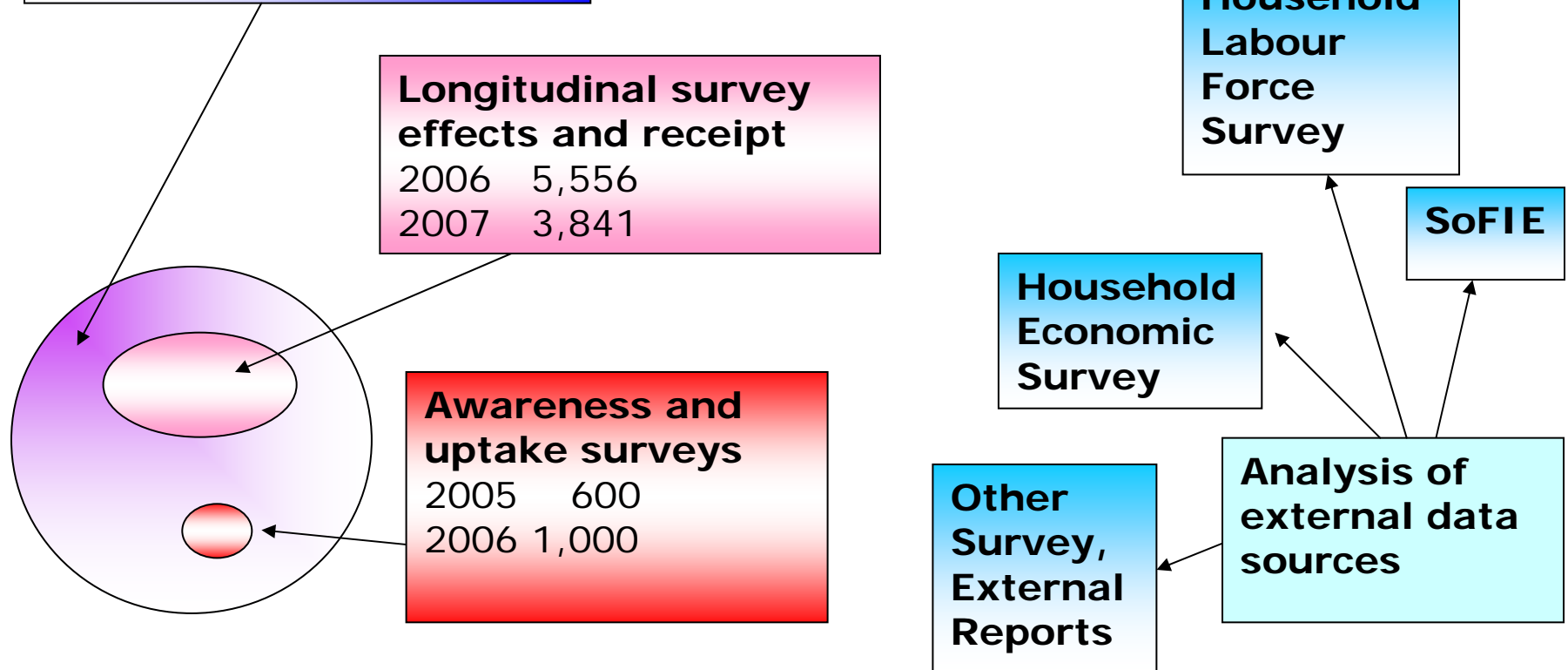
Household Labour Force Survey

SoFIE

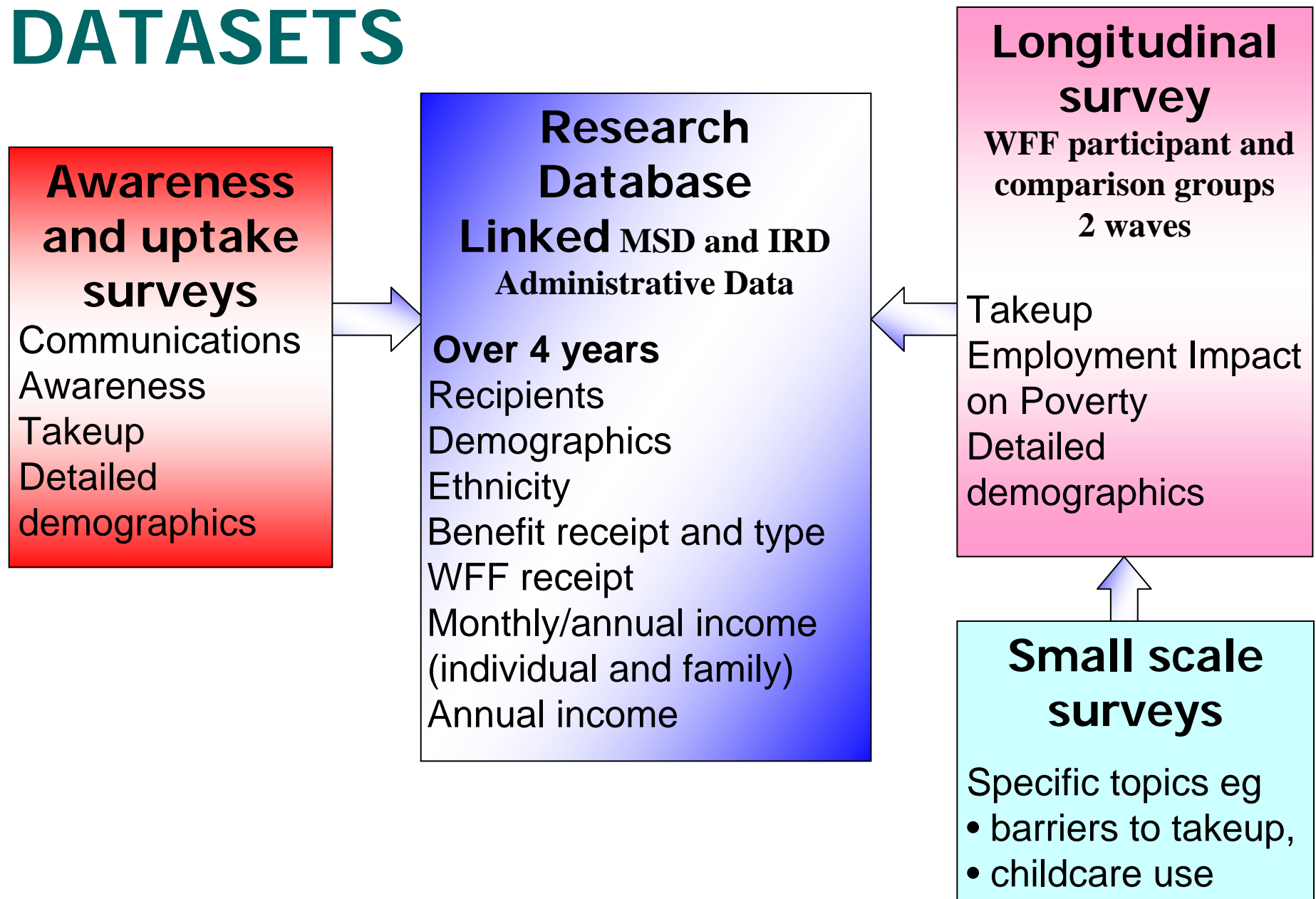
Household Economic Survey

Other Survey, External Reports

Analysis of external data sources



DATASETS



Entitlement

Family make up

- number and
- age of dependent children

Family income

Labour market participation

Benefit receipt

Data

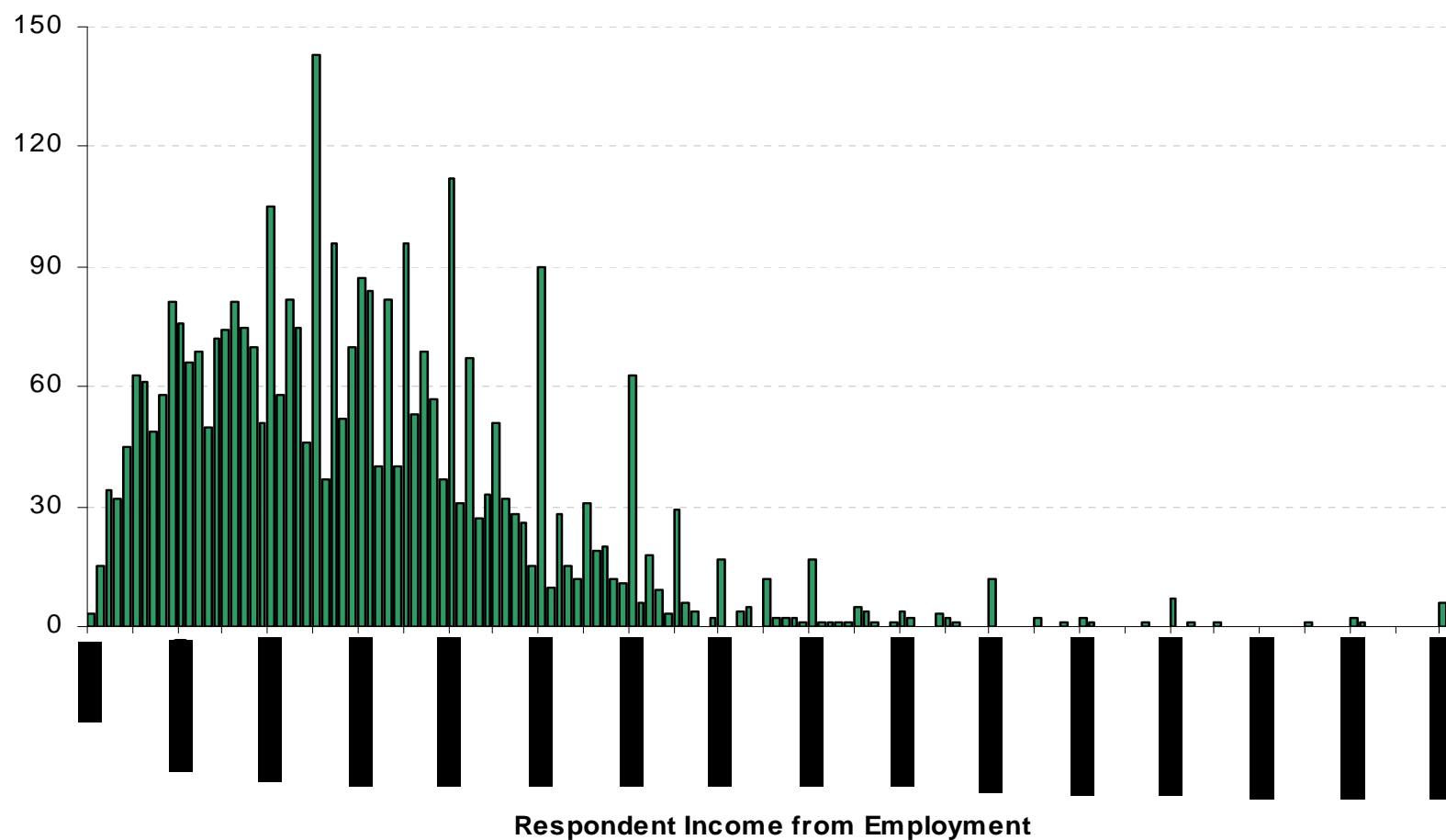
- Nationwide Survey asks for respondent, partner and family income
- Administrative data from IR and MSD
- Survey data linked (with respondents agreement) to administrative data
- Can compare self reported and administrative values for individuals

Income Questions

For the 2006 tax year (retrospective)

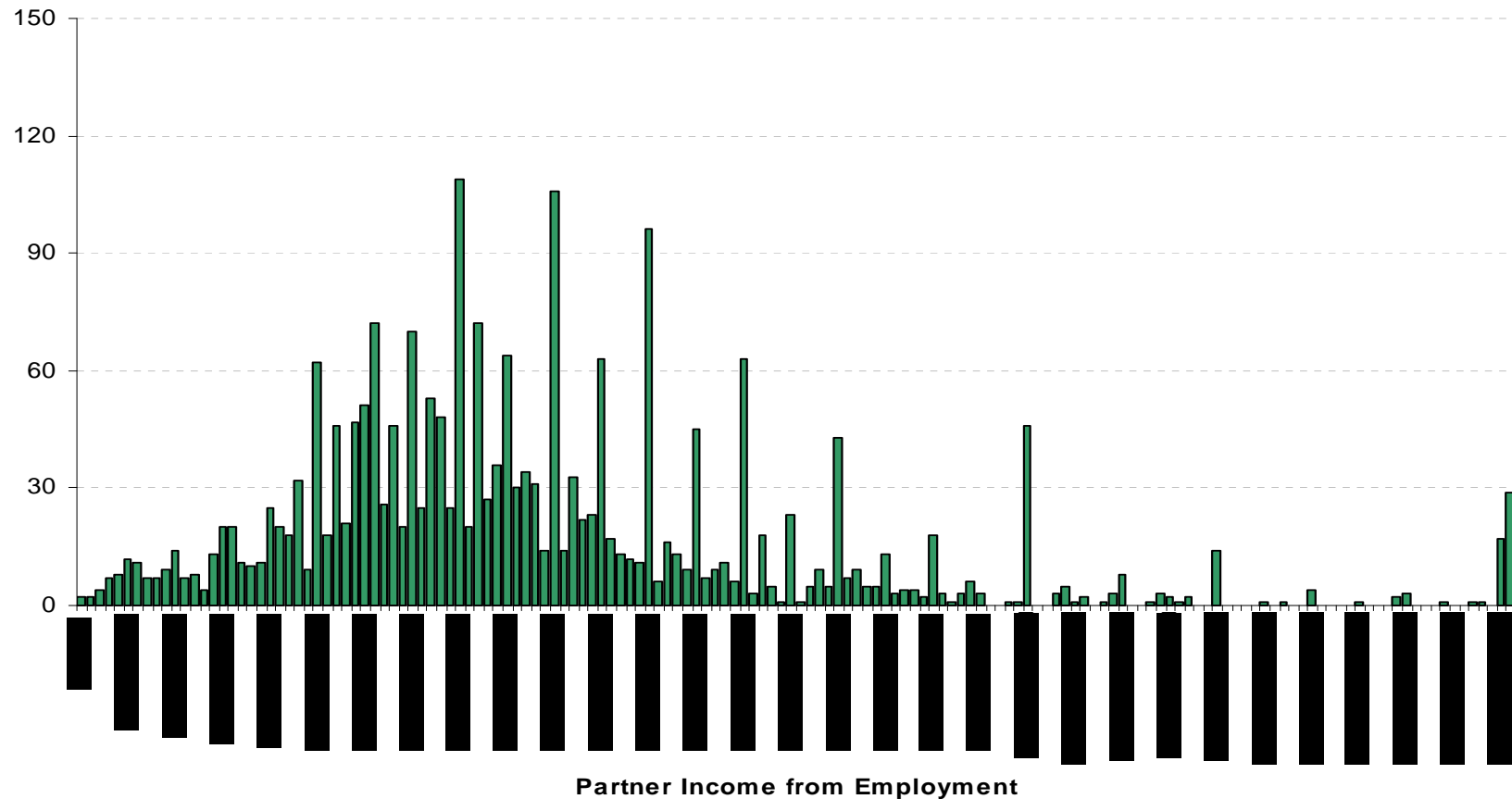
- Respondent's income
 - Partner's income
 - Family income
-
- For individuals – hourly or annual
 - For family – annual

Self-Reported Respondent's Income



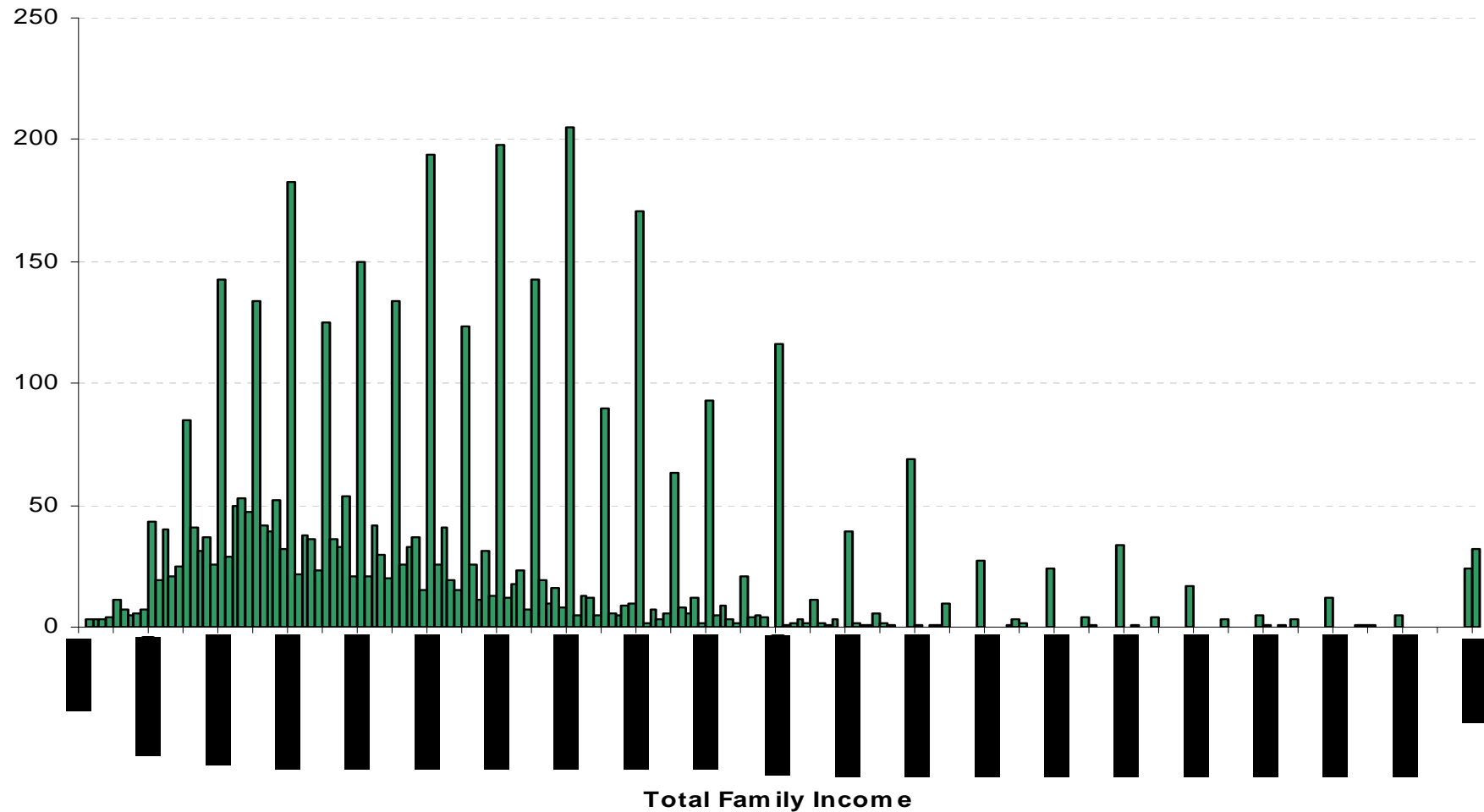
Don't know income= 9%

Self-Reported Partner's Income



Respondent doesn't know partners income= 21%

Self-Reported Total Family Income

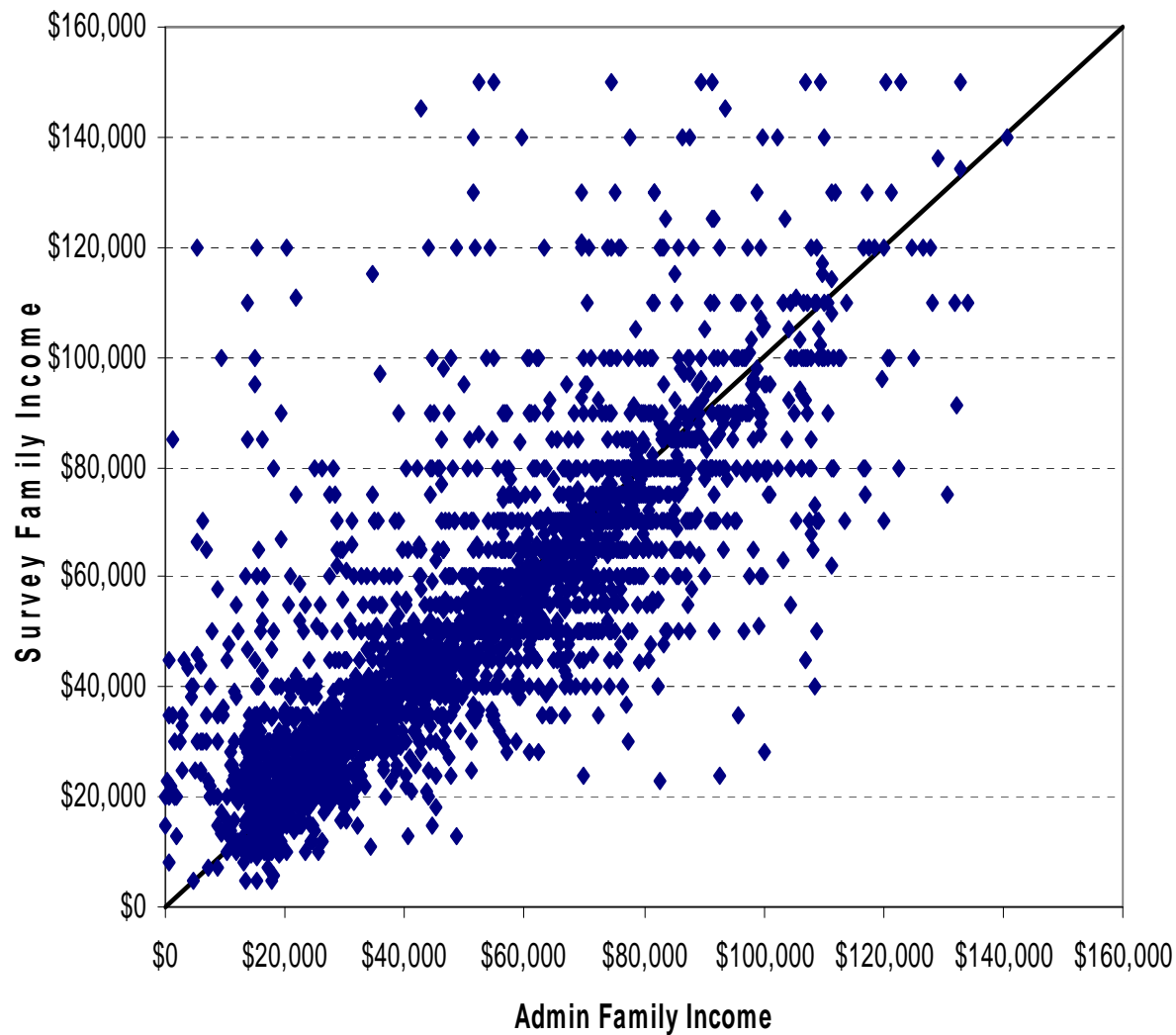


Respondent doesn't know family income = 18%

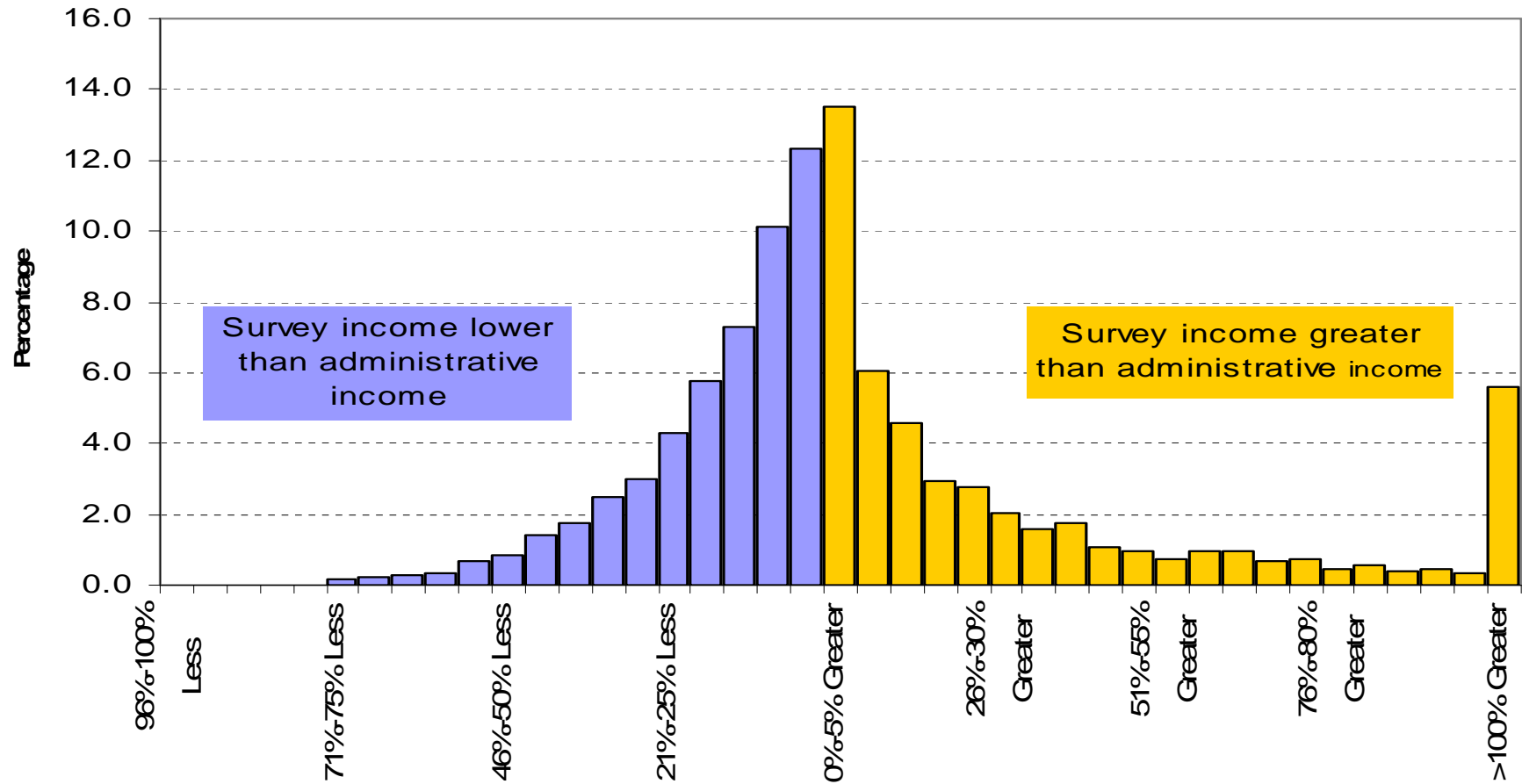
Administrative Income Data

- Taxable gross income adjusted for child support payments and paid parental leave
- Extracted from IRD Data Warehouse
- Sources:
 - Assessment for Working for Family Tax Credits
 - Personal Tax Summaries
 - IR3 Returns
 - Employer Monthly Schedules.

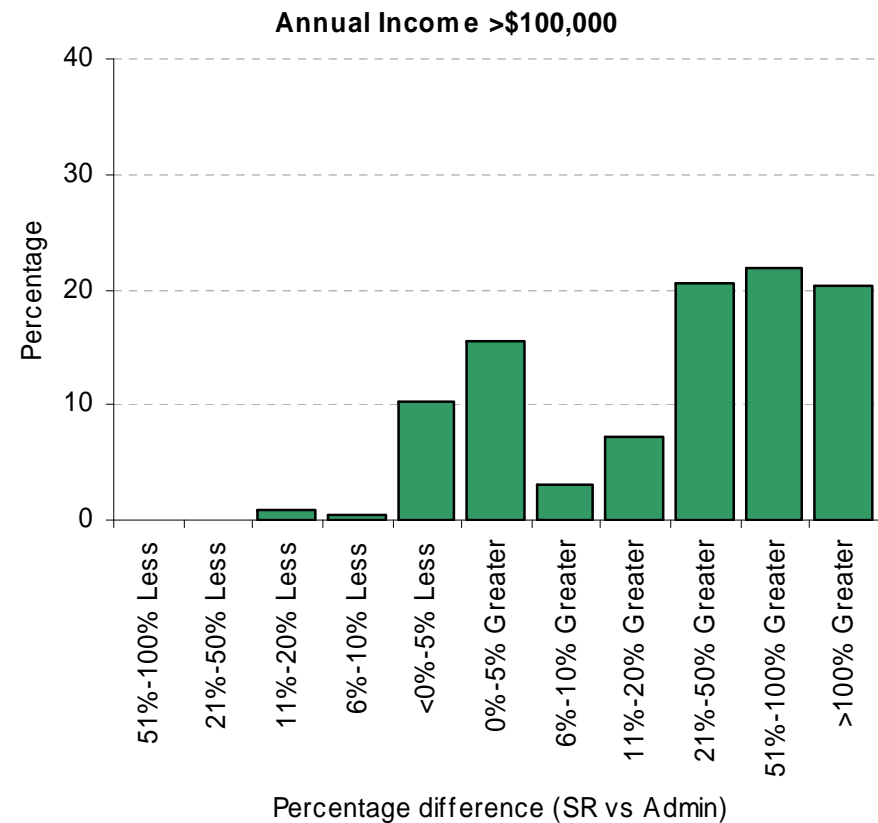
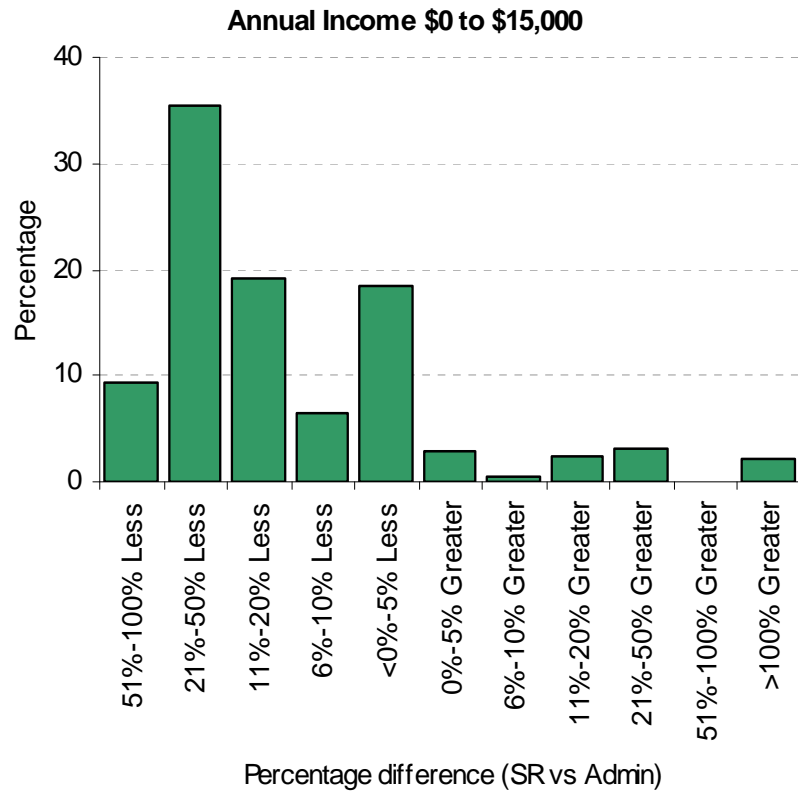
Self-reported vs Administrative Family Income



Self-Reported vs Administrative Family Income



Self-Reported vs Administrative Family Income



Survey Less than Admin 89
Survey Greater than Admin 12

Less 12
Greater 88

Self-Reported vs Administrative Family Income

Family_Survey_In come	Family_Income_Admin_2006							Total
	<=\$15K	>\$15K - \$25K	>\$25K - \$35K	>\$35K - \$50K	>\$50K - \$70K	>\$70K - \$100K	>\$100K	
<=\$15K	42%	54%	2%	1%	0%	0%	0%	100%
>\$15K - \$25K	16%	65%	16%	3%	0%	0%	0%	100%
>\$25K - \$35K	8%	24%	46%	17%	3%	0%	0%	100%
>\$35K - \$50K	2%	5%	12%	54%	22%	4%	0%	100%
>\$50K - \$70K	1%	2%	4%	11%	56%	24%	2%	100%
>\$70K - \$100K	1%	1%	3%	4%	13%	63%	15%	100%
>\$100K	1%	3%	1%	1%	8%	26%	60%	100%
Total	9%	23%	16%	18%	18%	13%	4%	100%

Conclusions – self reported income

- Around one-fifth of people didn't know partner and family income.
- When they did - lack of precision.
 - Around 40% of self-reported incomes within 10% of admin income.
 - Around 15% of people self-reported an income at least 50% different from admin income.

Implying

- Self-reported income not overly reliable if precision needed.
- People cannot accurately estimate family income

Conclusions

- Responses to survey income questions will fall into bands due to the imprecision of responses
- These results are for the previous year – estimates for the coming year will be less certain
- Raises questions about ability of taxpayers to provide a robust estimate of income
- Entitlements calculated on estimates of income will result in over or under payments

Employed Respondent (and Partner) Income Questions

5f How many hours do you usually work each week in your (that) job?

ENTER NUMBER.

CODE 99 FOR DON'T KNOW. CODE 98 FOR REFUSED.

5g How many of those hours, if any, are overtime?

ENTER NUMBER.

CODE 99 FOR DON'T KNOW. CODE 98 FOR REFUSED.

5h Are you salaried on your (that) job, paid by the hour, or what?

Salaried¹ Paid by the hour² Other (specify)³ Don't know⁴

IF SALARIED (CODE 1 AT 5H):

5i How much is your salary per year, before taxes and other deductions?

ENTER DOLLAR VALUE.

CODE 999999 FOR DON'T KNOW. CODE 999998 FOR REFUSED.

IF PAID BY HOUR (CODE 2 AT 5H):

5j What is your hourly wage rate for regular work time in your (that) job?

ENTER DOLLAR VALUE.

CODE 999 FOR DON'T KNOW. CODE 998 FOR REFUSED.

IF PAID BY HOUR (CODE 2 AT 5H) AND OVERTIME (MORE THAN ZERO HOURS AT 5G):

5k What is your hourly wage rate for overtime for your (that) job?

ENTER DOLLAR VALUE.

CODE 999 FOR DON'T KNOW. CODE 998 FOR REFUSED.

IF RESPONDENT GIVES ANSWER NOT IN DOLLARS, EG TIME AND A HALF: Do you know what that is in dollars?

IF OTHER (CODE 3 AT 5H):

5l About how much do you earn from this job per year before taxes and other deductions?

ENTER DOLLAR VALUE.

CODE 999999 FOR DON'T KNOW. CODE 999998 FOR REFUSED.

Total Family Income Questions

IF HAVE DEPENDENT CHILDREN (CHECK 1B):

7j I'd like you to estimate your total family income for the last 12 months. By family income, I mean the total income received by you, (your partner), and any dependent children living with you, but not including any children who are married or living with their partner in your household. Please include all earnings such as salary and wages, child support, benefits, money from the government, investments, family trusts and all other ways you get money.

So, what would you estimate your total family income to be in the last 12 months?

ENTER DOLLAR VALUE.

CODE 999999 FOR DON'T KNOW. CODE 999998 FOR REFUSED.

If COUPLE WITH NO DEPENDENT CHILDREN (CHECK 1B)

7k I'd like you to estimate your total combined income for the last 12 months. By combined income, I mean the total income received by you and your partner. Please include all earnings such as salary and wages, benefits, money from the government, investments, family trusts and all other ways you get money.

So, what would you estimate your total combined income to be in the last 12 months?

ENTER DOLLAR VALUE.

CODE 999999 FOR DON'T KNOW. CODE 999998 FOR REFUSED.

IF SINGLE PERSON WITH NO DEPENDENT CHILDREN (CHECK 1B)

7l I'd like you to estimate your total income for the last 12 months. Please include all earnings such as salary and wages, benefits, money from the government, investments, family trusts and all other ways you get money.

So, what would you estimate your total income to be in the last 12 months?

ENTER DOLLAR VALUE.

CODE 999999 FOR DON'T KNOW. CODE 999998 FOR REFUSED.

7m And is this before or after tax?

Before tax 1 After tax 2 Don't know 3